

Message Text

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ACTION AGR-20

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 1597

INFO AMEMBASSY ISLAMABAD

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DEPARTMENT PASS AGRICULTURE, FAS, STEVENSON AND WILLIAMS ISLAMABAD
FOR AGRICULTURAL ATTACHE
FROM AGRICULTURAL OFFICER

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: PAKISTAN GOVERNMENT MISSION OFFERS LOW-PRICED COTTON
TO HONG KONG SPINNERS

1. NUSRAT HASAN, CHAIRMAN OF PAKISTAN'S COTTON EXPORT CORPORATION (CEC), AND S. KHURSHID HUSAIN, GENERAL MANAGER, VISITED HONG KONG LAST WEEK OFFERING EXPANSIVE ASSURANCES THAT HK MANUFACTURERS WILL QUOTE BE GIVEN FIRST PRIORITY FOR DELIVERY OF RAW COTTON UNQUOTE. HASAN ALSO GAVE QUALITY ASSURANCES AND STRESSED THAT SHIPPING CONTRACTS WOULD BE FULLY HONORED. HIS ASSURANCES RECEIVED GOOD PLAY IN JULY 17 HONG KONG STANDARD.

2. IN SUPPORT OF PROMISES TO HONOR FUTURE CONTRACTS, HASAN REPORTEDLY CLAIMED THAT PAKISTAN WILL HAVE SURPLUS OF 1.2-1.5 MILLION BALES OF RAW COTTON FOR EXPORT FROM NEW HARVEST EXTENDING FROM SEPT. 1, 1974 TO JULY 31, 1975. TOTAL PRODUCTION THAT PERIOD EXPECTED TO BE 4.2-4.5 MILLION
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BALES, WITH 3.2-3.3 MILLION BALES REQUIRED LOCAL

CONSUMPTION.

3. OTHER POINTS MADE: CEC HAS REDUCED RAW COTTON PRICE BY 20-25 PERCENT IN PAST 6 WEEKS, WITH CURRENT PRICE (NO FURTHER DETAILS) FOR TOP QUALITY RAW COTTON HK\$1.65-1.70 PER LB (APPROX US\$0.33 TO 0.34). (ACCORDING TO LOCAL TRADERS, THOSE PRICES NOT ACCURATE; LOWEST PRICE NOW IS US\$0.42 PER LB C&F HK.) HASAN CLAIMED PRICE CONCESSION OFFERED HK WAS SUBSTANTIAL REDUCTION COMPARED OTHER COUNTRIES.

4. COMMENT: AMONG SEVERAL PROBABLE MOTIVES, PAKISTANI MISSION'S VISIT TO HONG KONG APPEARS TO HAVE BEEN ATTEMPT TO UNLOAD SLOW-MOVING STOCKS AT SO-CALLED BARGAIN PRICES. ACCORDING TRADE SOURCES, CURRENT CROP COTTON NOW AVAILABLE FOR EXPORT IS POOR QUALITY AND IT IS BELIEVED PAKISTAN STILL HAS APPROX. 200,000 BALES UNSOLD (AND APPARENTLY UNWANTED). LOWERING OF PRICE THUS UNDERSTANDABLE BECAUSE PAKISTANIS WANT TO CLEAR OUT OLD COTTON BEFORE NEW CROP AVAILABLE FOR MARKETING IN EARLY OCTOBER. CEC MISSION REFUSED QUOTE PRICES FOR NEW CROP (PROBABLY BECAUSE IT WOULD JEOPARDIZE SALE OF HARD-TO-MOVE CURRENT CROP COTTON).

5. OTHER REASONS FOR VISIT PROBABLY INCLUDE: (A) DECLINE IN HK IMPORTS OF PAKISTANI COTTON LAST YEAR; AND (B) IN FY1973-74 HK SPINNERS PUBLISHED SCATHING CRITICISMS OF PAKISTANI EXPORTERS FOR RENEGING ON CONTRACTS AS WORLD PRICES ROSE. RESULT WAS EXTREME BITTERNESS AMONG HK IMPORTERS. (IN CONTRAST, US SHIPPERS HONORED CONTRACTS DURING SAME PERIOD.)

6. TRADE REPORTS THAT CEC HOPED TO WORK OUT NEW TYPE TRADE WHEREBY PAKISTANI GOV'T (CEC) WOULD SELL DIRECTLY TO THE HK IMPORTERS. HK IMPORTERS REPORTEDLY NOT READY FOR SUCH AN ARRANGEMENT.

7. REFLECTING RESENTMENT OVER STILL-UNFULFILLED AND UNSETTLED CONTRACTS OF LAST YEAR, HK SPINNERS REPORTEDLY ASKED CEC TO TAKE APPROPRIATE ACTION TO RESOLVE DISPUTES.

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CEC, HOWEVER, CLAIMED THAT WAS PRIVATE TRADE PROBLEM WHICH THEY, AS GOVERNMENT ORGANIZATION, COULD NOT RESOLVE.

8. BECAUSE OF SUCH OUTSTANDING PROBLEMS, DOUBTFUL THAT MISSION ACHIEVED OBJECTIVES.

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